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THE ALBERTA INVESTMENT GUIDE

F O R E W O R D

This document is compiled and published by the Investment branch of Alberta Economic Development and Trade. It provides general information on the province's economy and highlights some advantages of an Alberta location.

Canada has traditionally been a popular location for foreign investment. In the words of a Japanese businessman who travelled across Canada in 1989:

It has been said that the most serious problems in the 21st century will be the scarcity of resources and overpopulation, but for Canada, the reverse is the case. There can be no doubt that it is a country with a great future ahead of it.

Alberta has been among one of the most attractive provinces for investment in Canada. In fact, since at least 1985, Alberta has had the highest per capita value of investment. The province's myriad of natural resources and its high quality labour force are some of the features that allure investors. Alberta has been successful in attracting not only direct investment, international technology and expertise, but also partners for strategic alliances with Alberta companies.

The Investment Branch will provide more specific information to any investors interested in the province. For more information, please contact:

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1. ALBERTA

With a total area of 661,188 square kilometres, the province of Alberta, Canada, is nearly as large as the state of Texas, 22 per cent larger than the total area of France and about twice the size of Japan. Yet the total population of Alberta is only 2,473,000 (or 9.3 per cent of Canada's total population).

More than half of the province's inhabitants live in one of the two major metropolitan areas of Edmonton and Calgary. In 1990, Edmonton, the provincial capital, had a metropolitan population of 817,800 while Calgary, host city for the 1988 Winter Olympics, had a metropolitan population of over 724,800.



(For a list of Alberta International Offices, see Page 23)

2. INVESTING IN ALBERTA

Domestic and international investment has been the key to Alberta's economic growth, diversification and modernization. The United States' position as the major investor in Canada has diminished somewhat over the years as total investment by other countries, such as the United Kingdom, Japan, Germany and Hong Kong, has increased. In 1978, the U.S. accounted for almost 80 per cent of Canada's total stock of foreign direct investment whereas in 1988, the figure was less than 70 per cent.

FEDERAL INVESTMENT REGULATIONS

In 1985, Investment Canada (IC), a Crown corporation, was established to replace the Foreign Investment Review Agency (FIRA). Investment Canada's mandate is to encourage investment in the country. It also implements the IC Act which calls for the review of direct acquisitions of businesses in Canada with assets in excess of \$5 million and indirect acquisitions of Canadian businesses with assets exceeding \$50 million. As well, IC reviews foreign investment in culturally sensitive sectors and industries deemed to be of national importance.

As a result of the Canada-U.S. Free Trade Agreement (FTA), special rules govern investment in Canada by American investors. Under the FTA, the threshold for review of direct acquisitions is \$100 million (as of January 1, 1991). It will increase to \$150 million on January 1, 1992 and will be capped in 1992 dollars.

Similarly, the threshold for review of indirect acquisitions by American investors is \$500 million (as of January 1, 1991). As of January 1, 1992 reviews will be terminated unless the assets of the Canadian business represent more than 50 per cent of the total value of assets

acquired in the international transaction, in which case the direct acquisition threshold (see preceding paragraph) will be applied.

The acquisition or control of the following types of Canadian businesses is excluded from these higher thresholds: oil, gas and uranium; financial services; transportation services; and cultural businesses.

PROVINCIAL INVESTMENT REGULATIONS

The Alberta government encourages foreign investment in the province, which it sees as a vital component of economic development. Various Alberta government departments actively promote the province and its opportunities worldwide.

The only legislation of the Alberta government that limits foreign investment in the province relates to the ownership of agricultural and recreational land. Pursuant to the Alberta Agricultural and Recreational Land Ownership Act, no "ineligible person" or foreign controlled corporation may acquire, directly or indirectly, an interest in two or more parcels of land, comprising more than 20 acres in total. An ineligible person is defined as:

- an individual who is not a Canadian citizen or a permanent resident (landed immigrant);
- the government, or one of its agencies or the government or political subdivision of a country other than Canada;
- a corporation incorporated outside of Canada.

Land that is specifically exempted from these regulations includes land within municipalities, mines and minerals, and land consisting of less than 20 acres in aggregate.

CORPORATE STRUCTURE IN CANADA

In Canada, a company may be incorporated federally or provincially. When a company incorporates provincially, it must obtain a license from, or register in, any other province in which it conducts business. Factors affecting the decision to incorporate federally or provincially include differences in residency requirements for directors or officers, head office location requirements and financial disclosure statements.

One regulation that affects non-residents is the requirement of most Canadian statutes that a majority of the directors of the corporation be Canadian residents.

In order to obtain beneficial tax treatment and to limit the extent of their liability, most foreign companies decide to operate in Canada by incorporating a subsidiary company rather than by establishing a branch operation. Foreign operations forming a branch in a particular province are usually required to pay a provincial license or registration fee, roughly equal to the province's fee for incorporation.

FINANCING A BUSINESS IN ALBERTA

Financial services available in Alberta are varied and sophisticated. In Canada, financial institutions include: chartered banks (including Canadian based and foreign owned banks); trust and mortgage loan companies; life insurance companies; pension plans; credit unions and caisses populaires; investment funds; and other institutional suppliers of capital, such as venture capital companies.

The Canadian banking industry is regulated by the Bank of Canada (Canada's central bank) and the Superintendent of Financial Institutions. The six major chartered banks in Canada, each

with an extensive network across the country, are the:

- Royal Bank of Canada
- Canadian Imperial Bank of Commerce
- Bank of Montreal
- Bank of Nova Scotia
- Toronto-Dominion Bank
- National Bank of Canada

In Alberta, there are an additional 14 regional and foreign banks.

Credit unions also play an important role in providing financial services to Albertans, many of whom live in rural areas. Credit unions are cooperative organizations which provide financial services to their members. They are unique in that they are owned, directed and controlled by the people they serve -- their members. All Alberta credit union deposits are 100 per cent guaranteed without limit by the Credit Union Deposit Guarantee Corporation.

The following is a description of Alberta based banks, and trust and insurance companies that provide financial services throughout the province.

■ **Alberta Opportunity Company (AOC)** is a Crown corporation that makes loans and loan guarantees; it also offers counselling and other specialized services. Through its Venture Funding Division, AOC is also able to make equity investments in certain sectors, including manufacturing, tourism and certain advanced technologies. It also has a Seed Funding Division that will invest up to \$250,000 in the development and commercialization of unique or proprietary products.

■ **Alberta Treasury Branch (ATB)** - First established in 1938 by an act of the provincial legislature, ATB is a banking

alternative for Albertans, with a particular responsibility for the provision of services in outlying areas and for small businesses, farming operations, and consumer related financial needs. ATB's 137 branches and 122 agencies (partial service facilities) serve over 225 communities in the province.

■ **Canadian Western Bank** - The Canadian Western Bank is an Alberta based chartered bank with an international affiliation to the Hokkaido Takusho Bank of Japan. With branches in Alberta and British Columbia, this bank offers innovative and highly competitive financial services to businesses and individuals.

■ **Metropolitan Trust** - Since July 1990, Edmonton has been the headquarters for Metropolitan Trust. Established in 1987, Metropolitan Trust offers a range of financial services to individuals and businesses through its 13 retail branches located across the country. It also offers mortgage services to institutional lenders and provides asset administration services .

■ **North West Trust Company** - Established in 1958 , this Edmonton trust company offers an array of financial services through its network of 12 branches in the four western Canadian provinces. Its office network is supplemented by more than 600 bonded agents representing the company's deposit products in rural areas.

■ **Peace Hills Trust Company** is Canada's first and largest Native owned trust company. This company is unique in that its main focus is serving the needs of Native individuals, corporations, institutions and associations. Established in 1980, Peace Hills is wholly owned by the Samson Indian Band of Hobbema, whose reserve is located about

100 kilometres south of Edmonton. Its head office is located in Hobbema, while its corporate offices are in Edmonton.

■ **Sovereign Life Insurance Company**- With its head office in Calgary, Sovereign serves the needs of Canadians through branch offices and agencies coast to coast. It offers its customers a full range of quality financial services including individual life insurance, guaranteed interest products, investment funds, registered retirement savings plans, registered retirement income funds, annuities and creditor insurance.

3. ALBERTA FACTS

■ Alberta has an abundance of natural resources: prime agricultural land, seemingly endless stands of timber, and extensive reserves of coal, petroleum and natural gas. Alberta's oil sands are one of the world's largest fossil fuel reserves.

■ Alberta is centrally located for access to the rest of western Canada - a market of almost eight million people, to the northwest United States - a market of nine million and to California - a market of 30 million.

■ Alberta's most important resource, its labour force, is among the most productive, the best educated, and the most highly skilled in Canada.

■ Alberta's personal tax rates are generally the lowest in Canada. Its corporate tax rates are competitive with other provinces and it is the only province without a provincial retail sales tax.

■ Real estate and operating costs in Alberta compare favourably to those elsewhere in Canada.

■ The Canada-U.S. Free Trade Agreement (FTA), which came into effect on January 1, 1990, enhances Alberta's access to the United States market. In 1990, 75 per cent of Alberta's exports were destined for the U.S.

■ The Government of Alberta is committed to developing and diversifying the economy and to ensuring resources are available for future generations.

CURRENT ECONOMIC INDICATORS

| | Reference Period | Canada | Alberta | Ontario | B.C. |
|--|---------------------|-----------|----------|-----------|----------|
| Population (thousands) | 3/91 | 26,832.7 | 2,501.4 | 9,840.3 | 3,185.9 |
| GDP at Market Prices (millions) | '90 | \$678,985 | \$71,203 | \$281,210 | \$81,085 |
| Per Capita GDP | '90 | \$25,524 | \$28,809 | \$28,862 | \$26,164 |
| Exports (millions) (excluding services) | '90 | \$146,057 | \$15,622 | \$117,608 | n/a |
| Per Capita Personal Income | '89 | \$21,124 | \$21,076 | \$24,017 | \$21,099 |
| Per Capita Investment | '91 | \$6,653 | \$8,999 | \$6,951 | \$7,077 |
| Per Capita Retail Trade | 3/91 | \$516 | \$588 | \$510 | \$582 |
| Labour Force Participation Rate (%) | '90 | 67.0 | 72.1 | 69.4 | 66.0 |
| Consumer Price Index (1986 = 100) | 4/91 | 125.5 | 123.4 | 126.9 | 123.4 |

Source: Alberta Bureau of Statistics & various other sources

4. ALBERTA'S ECONOMY

IN THE 1990s

The outlook for Alberta's economy in the 1990s is favourable. The increase in Gross Domestic Product (GDP) in real terms (adjusted for inflation) is forecast by the Alberta Treasury to be 2.8 per cent for 1990, substantially higher than national average, which is about 0.9 per cent. Alberta is expected to lead all Canadian provinces in growth in 1991, 1992 and 1993.

Investment will continue to play a vital role in stimulating the provincial economy. Capital investment for major industrial projects, announced or underway, now totals \$16.5 billion.

The forecast for the sizable oil and gas sector is positive and, accordingly, the level of confidence in the province's future is high although the 1990/91 recession in the rest of North America will somewhat dampen Alberta's growth. In addition, the high value of the Canadian dollar vis-a-vis the American counterpart may limit growth in non-energy exports of Alberta goods and services to the United States. At the same time, however, exports to the Pacific Rim region are expected to continue to increase and overall, the economic forecast for Alberta remains favourable.

| ALBERTA'S ECONOMIC OUTLOOK | | | |
|--|------------|------|------|
| | (% Change) | | |
| | 1990 | 1991 | 1992 |
| Real GDP Growth | 2.8* | 1.0* | 3.7 |
| Employment Growth | 1.4 | 0.5 | 2.5 |
| Unemployment Rate | 7.0 | 7.2 | 6.4 |
| Retail Sales | 2.8 | 5.6 | 7.0 |
| Consumer Price Index (1986 = 100) | 5.8 | 6.9 | 4.2 |
| * Estimate from Alberta Treasury | | | |
| Source: Canadian Imperial Bank of Commerce | | | |

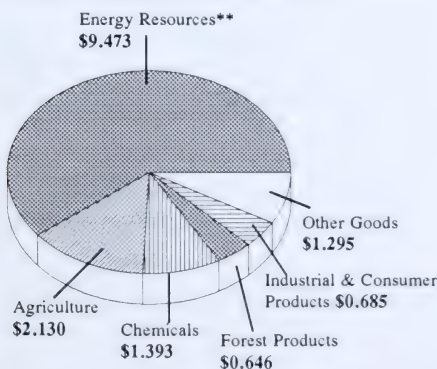
5. ALBERTA EXPORTS & EXCHANGE & INTEREST RATES

EXPORTS

Alberta is a trading province. Traditionally, exports have contributed significantly to the provincial Gross Domestic Product (GDP). Recent figures show that trade accounts for approximately 20 per cent of Alberta's GDP.

Exports generate wealth and create jobs in the province, giving Albertans a high standard of living. Exports are, directly and indirectly, responsible for at least 250,000 jobs in the province.

**ALBERTA EXPORTS OF GOODS
BY MAJOR CATEGORY, 1990***
(Value of Exports in millions of \$)



* Estimate

** Includes Sulphur & coal

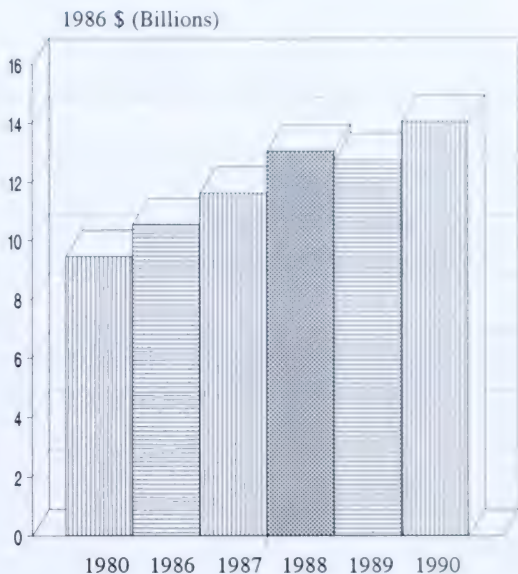
Source: Alberta Bureau of Statistics

The preceding pie chart shows the composition of Alberta's 1990 international exports which totalled \$15.622 billion. Energy resource exports, comprised of crude oil, natural gas, coal and sulphur, is the largest sector, accounting for 60.6 per cent of the total.

Exports of services, while not included in this chart, are also a vital and growing component of the economy. Tourism is the largest services export, accounting for approximately 42 per cent of an estimated \$1.460 billion services total.

**VALUE OF ALBERTA'S
INTERNATIONAL EXPORTS***

(Adjusted for inflation)



* Excluding services

Source: Alberta Bureau of Statistics & Economic Development & Trade

Alberta has continued to successfully serve traditional markets and penetrate new markets over the years. When adjusted for inflation, Alberta exports increased in value by almost 50 per cent from 1980 to 1990, as shown in the above bar chart (which expresses the value of exports in 1986 dollars). Alberta recognizes the importance of trade and is, accordingly, a strong proponent of liberalized trade. The Canada-U.S. Free Trade Agreement continues to be widely supported in Alberta. The province also champions the goals of the General Agreement on Tariffs and Trade (GATT).

EXCHANGE RATES

Exchange rates directly impact the value of Alberta's exports; they also affect the overall level of competitiveness of Alberta goods and services internationally.

The 16 per cent appreciation of the Canadian dollar against the American currency from 1986 to 1990 has contributed to a narrowing between American and Canadian costs. Fortunately, Alberta's main exports to the United States - oil and gas - are not as price sensitive as other goods. Indeed, exports increased over the period from 1986 to 1990.

In Europe, the Canadian dollar has been relatively stable, except in comparison to the German mark, which has appreciated notably from 1986 to 1990. In Asia, the Japanese yen has remained fairly constant since 1986 in comparison to the Canadian dollar. Alberta exports to the Pacific Rim, an increasingly important trading area for the province, are growing at a faster rate than Alberta exports to the United States. This trend is expected to continue, thereby creating a positive outlook for Alberta.

| EXCHANGE RATES IN CANADIAN DOLLARS | | | | |
|------------------------------------|-------------|-------------|-----------------|---------------|
| Year | U.S. Dollar | German Mark | Jpn. Yen (000s) | British Pound |
| 1986 | 1.39 | 0.64 | 8.30 | 2.04 |
| 1987 | 1.33 | 0.74 | 9.19 | 2.17 |
| 1988 | 1.23 | 0.70 | 9.61 | 2.19 |
| 1989 | 1.18 | 0.63 | 8.60 | 1.94 |
| 1990 | 1.17 | 0.72 | 8.10 | 2.08 |
| Sept. 23, 1991 | 1.13 | 0.68 | 8.53 | 1.98 |

INTEREST RATES

High interest rates have a varying impact on the exchange rates of currencies.

The current high interest rates in Canada have contributed to the appreciation of the Canadian dollar.

| INTEREST RATES ON 3 MONTH T-BILLS | | | | |
|-----------------------------------|-------------|-------------|-------------|----------------|
| | 1st Q, 1990 | 3rd Q, 1990 | 1st Q, 1991 | Sept. 13, 1991 |
| CANADA | 13.34 | 12.42 | 9.68 | 8.46 |
| UNITED STATES | 8.08 | 7.35 | 5.88 | 5.29 |
| GERMANY | 8.25 | 8.50 | 9.10 | 9.15 |
| JAPAN | 7.20 | 7.40 | 7.90 | 6.70 |
| UNITED KINGDOM | 14.66 | 14.28 | 11.63 | 9.19 |

6. DEMOGRAPHICS

Alberta has a young population; approximately 74 per cent of Albertans are under 44 years of age.

| AGE GROUPS-AS OF JUNE 1,1990 (in 000s) | | | |
|---|---------|---------|---------|
| Age | Total | Male | Female |
| 0-14 | 584.7 | 299.8 | 284.9 |
| 15-44 | 1,242.1 | 629.1 | 613.0 |
| 45-64 | 424.6 | 215.4 | 209.2 |
| 65 & Over | 220.3 | 95.4 | 124.9 |
| TOTAL | 2,471.7 | 1,239.7 | 1,232.0 |

Most Alberta residents live in urban areas. In 1986, the date of the last official census, 80 per cent of the population lived in one of Alberta's 16 cities.

The recent rate of population growth has slowed since the 1976 to 1981 "boom" years when the provincial population swelled by 22 per cent. A healthy rate of natural increase combined with renewed in-migration accompanying Alberta's economic prosperity has led to an annual growth rate of 1.9 per cent in 1990, certainly above the national increase growth rate of 1.4 per cent. Assuming a similar and constant rate of growth, Alberta's population may reach 3,000,000 by the year 2006.

Albertans are typically well educated: 13 per cent of the total population hold university degrees or certificates; another 15 per cent hold other post-secondary credentials; and in any given year, more than one-quarter of Alberta's 2.5 million residents are involved in some form of post-secondary academic, skills training or continuing education.

LABOUR FORCE FACTS

- Albertans are highly motivated and have a strong work ethic.
- More than 72 per cent of Alberta's working age population participate in the labour market, the highest participation rate in Canada.
- The proportion of Albertans with post-secondary degrees is higher than the national average.
- Alberta has the highest concentration of workers engaged in science, engineering and mathematics related occupations in Canada.
- Generally, the labour force in Alberta is younger, better skilled and better educated than the labour force in other Canadian provinces.

7. INFRASTRUCTURE

The provincial government has furthered economic development and diversification by contributing to the establishment of a modern and well maintained infrastructure that includes excellent research and development facilities, world class transportation and communications systems, and superb educational and health care institutes.

RESEARCH FACILITIES

There are several provincially-supported research centres in Alberta.

■ **The Alberta Microelectronics Centre (AMC)**, located at the universities in Edmonton and Calgary, helps Alberta industry to develop and apply microelectronic technology to a variety of situations and uses. Research is product-oriented and includes work in areas such as microsensors. Collaborative efforts with the AMC and the University of Alberta in the field of sensor R&D have been internationally recognized.

■ **The Alberta Research Council (ARC)** headquartered in south Edmonton and with facilities in four other locations, is a Crown corporation that works closely with Alberta universities and industrial clients to develop innovative technologies and to transfer them to commercial use. Long term areas of research include biotechnology and computer-based advanced technologies.

■ **The Alberta Telecommunications Research Centre (ATRC)**, located at the universities in Edmonton and Calgary, conducts and shares benefits of its research among its university, government and industry sponsors.

Its focus is on applied research in telecommunications. Research is based on sponsors' needs.

■ **The Alberta Oil Sands Technology and Research Authority (AOSTRA)**, based in Edmonton, pursues new technology for oil sands, heavy oil and conventional crude oil recovery. AOSTRA provides financial incentives to the private sector and research agencies to develop economically viable and environmentally acceptable technologies in these areas.

■ **The Centre for Frontier Engineering Research (C-FER)** addresses engineering and other challenges related to cold weather development. It offers technical and consultative services and undertakes contract research for industry. C-FER's \$18 million test facility, opened in 1990, is located in south Edmonton.

■ **The Alberta Laser Institute (ALI)** helps industry to develop and use laser systems as a cost-efficient production technique. It also performs contract research.

■ **The University of Calgary's Cyber 205 Supercomputer Facility** is available to industry researchers in need of high speed supercomputer modelling and processing.

■ **The Electronics Test Centre** at the ARC's Edmonton facility provides evaluation, testing and consulting services to electronics and telecommunications manufacturers to meet specified needs.

■ **The Alberta Heritage Foundation for Medical Research**, established in 1979 with an endowment of \$300 million, provides funds for new areas of basic and clinical research in Alberta's universities and hospitals.

The provincial government has also supported the development of Alberta's infrastructure by helping to establish advanced technology "incubators" and research parks in Calgary and Edmonton. The parks offer firms fully serviced sites for the construction of research and corporate facilities close to universities and other advanced technology institutes.

Multi-tenant research facilities are also available including Discovery Place at Calgary's University Research Park, the Calgary Advanced Technology Centre and the Edmonton Advanced Technology Centre. They offer young, technology intensive companies flexible space in smaller units on short term, competitive leases. Tenants share office support services and gain access to experienced business and technical experts, financing and seed capital.

TRANSPORTATION AND TELECOMMUNICATIONS

Roads - The province is serviced by two excellent east-west highways: the Trans Canada Highway (through Calgary) and the Yellowhead Highway (through Edmonton) which are both part of Canada's coast-to-coast highway system. Arterial roads and highways provide links to other major roads in the neighbouring provinces to the east and west and to the United States to the south.

Air - Aviation services have played a major role in the development of the province. Supporting this role are approximately eight licensed airports, 28 regional heliports and eight float plane bases, in addition to more than 800 unlicensed airports. The Calgary and Edmonton International Airports accommodate both domestic and international services and provide facilities for clearing United States customs. The Edmonton International Airport also offers direct Boeing 747 cargo service to Europe with CargoLux Ltd. of Luxembourg.

Rail - Alberta's railways are key to Alberta's economic expansion. Canadian Pacific Rail primarily serves southern Alberta, while Canadian National serves most of central and northern Alberta. Resource development in Alberta has also necessitated the establishment of regional rail lines.

Telecommunications - Albertans have one of the most advanced telecommunications systems in Canada. Local and long distance communications, business systems, terminal equipment, mobile communications and end-to-end services are provided across the province. A microwave network extends to almost every area of the province. In addition, satellite technology is used in Alberta to provide services such as radio and television programming from throughout North America along with two-way interactive data and private video distribution for Alberta companies.

EDUCATION

Alberta boasts a well educated and skilled labour force that is the result of a strong commitment by the government and its people to lifelong learning; in 1990-91, the provincial government's expenditure on education was almost \$3 billion. For those attending school from grades 1 to 12, free universal education is available throughout the province. In addition, Alberta's 32 post-secondary institutions are located throughout the province. The composition of the 32 institutions is: four universities; the Banff Centre for Continuing Education; eleven public colleges; four private colleges; two technical institutes; six hospital-based schools of nursing; and four vocational centres.

The University of Alberta in Edmonton, founded in 1908, is the oldest and largest university in the province, with over 25,000 full-time students in 1989/90. The University of Calgary, which became independent from the University of Alberta in 1966, has a full and part-time enrolment of some 15,000 students. The University of Lethbridge was established in 1960. These universities fulfil the traditional roles of teaching, research and public service and provide students with a range of undergraduate and graduate degrees. Athabasca University, located in the town of Athabasca, about 200 kilometres north of Edmonton and founded in 1970, is an innovator in distance education and home study programs.

With regard to the two technical institutes, the Southern Alberta Institute of Technology (SAIT) in Calgary, founded in 1916, and the Northern Alberta Institute of Technology (NAIT), established in Edmonton in 1963, offer vocational, business and technology programs in addition to apprenticeship training.

HEALTH CARE

Alberta's health care system is among the best in the world. The facilities are excellent, the personnel are highly qualified and services are easily accessed and affordable.

The Alberta Health Care Insurance Plan provides Alberta citizens with basic health and hospitalization coverage. For premiums of \$26 per month for an individual and \$52 per month for a family, Albertans have access to an exceptional range of medical services.

Virtually all communities in Alberta with populations in excess of 1,000 have modern, well equipped hospitals. Alberta has more than 300 hospitals, auxiliary facilities and nursing homes, including approximately 140 active treatment centres. These range from small rural hospitals with less than 20 beds to huge complexes such as Edmonton's Walter C. MacKenzie Health Sciences Centre, which houses 800 beds, some of the world's most advanced medical equipment and a variety of medical research programs.

8. TAXATION

CORPORATE TAXATION

In Canada, corporate income tax rates vary, depending on the type of business and the net income of the company.

The federal tax rates as of June 1, 1991 are: 28 per cent for general business; 24 per cent for manufacturing and processing corporations (M&P); and 12 per cent for small businesses and small M&P companies (net income less than \$200,000). A federal corporate surtax of (i.e. 3% of 28% = 0.84%) applies to federal tax payable. Thus the actual federal rates are 28.84 per cent for general business, 24.84 per cent for M&P companies, and 12.84 per cent for small business (including small M&Ps).

Effective July 1, 1991 the federal M&P tax rate will be reduced to 23 per cent (23.84% with the surtax included).

For large corporations, a federal capital tax of 0.20 per cent is charged on capital assets in excess of \$10 million. This tax is payable only if it is greater than the federal surtax and is in lieu of the surtax.

In addition to the above, a provincial general capital tax of 0.3 per cent exists in Ontario and 0.5 per cent in Saskatchewan and Quebec. Ontario and Quebec also charge a payroll tax of 1.95 per cent and 3.45 per cent respectively. **Alberta does not have a general capital tax nor a payroll tax.**

1991 CORPORATE TAX RATES

| | General Rate (%) | Small Business Rate (%) | Capital Tax (%) (d) | Payroll Tax (%) |
|----------------------|---------------------|----------------------------|------------------------|--------------------|
| BRITISH COLUMBIA | 15 | 9 | 0/2.0 | -- |
| ALBERTA | 15.5 | 6 | 0/2.0 | -- |
| SASKATCHEWAN | 15 | 10(c) | 0.50/3.0 | -- |
| MANITOBA | 17 | 10(c) | 0.30/3.0 | 2.25(e) |
| ONTARIO | 15.5(a) | 10 | 0.30/1.0 | 1.95(e) |
| QUEBEC | - (b) | - (b) | 0.52/1.04 | 3.45 |
| NEW BRUNSWICK | 16 | 9 | 0/3.0 | -- |
| NOVA SCOTIA | 16 | 10(c) | 0/3.0 | -- |
| PRINCE EDWARD ISLAND | 15 | 10 | 0/3.0 | -- |
| NEWFOUNDLAND | 17 | 10(c) | 0/3.0 | 1.50 |

(a) Ontario has a rate of 14.5% for manufacturing and processing, mining, logging, farming and fishing income.

(b) Quebec's corporate tax system is not directly comparable to that of other provinces.

(c) These provinces have a 0% rate for start-up small businesses.

(d) The first number is the general capital tax rate and the second number is the rate applied to financial institutions. In Manitoba, the general rate is 0.5% on capital over \$10 million.

(e) The payroll tax is applied on a graduated basis to the maximum shown.

Canada has entered into tax treaties with other countries to avoid double taxation on the same income and to prevent tax evasion. For payments to non-resident corporations and individuals, a withholding tax is applied to sources of income such as dividends and royalties. The withholding rate of 25 per cent is generally reduced to 15 per cent by tax treaties.

A non-resident corporation is subject to tax only on income earned in Canada and on any gains from the sale or disposition of a taxable Canadian property. Taxes are calculated on the same basis and rates as those of a Canadian corporation, except that the non-resident corporation may be ineligible for certain deductions.

R&D TAX INCENTIVES

Canada offers one of the most favourable packages of research and development (R&D) tax incentives of all industrialized countries. Canadian tax legislation is more flexible and generous than American regulations in respect to R&D tax credits and R&D expense deductions.

The Canadian system provides domestic corporations with a significant cost advantage over American firms when competing for R&D in the U.S. As well, the Canadian government sponsors R&D specific granted assistance programs, such as the Defence Industrial Research Program (administered by National Defence).

THE GOODS & SERVICES TAX (GST)

On January 1, 1991, the federal Goods and Services Tax (GST) replaced the federal sales tax and other miscellaneous federal taxes. Like value-added taxes in other countries, the GST is collected at each stage of the production and distribution chain, with businesses claiming input tax credits paid on their purchases. The

tax to be remitted by each business is equal to seven per cent of the "value-added" by the business in bringing the goods or services to market.

For the consumer, the tax is similar to a seven per cent retail sales tax as it applies to most goods and services. The supplies that are not taxed fall under one of two categories: tax free and tax exempt. The former category includes supplies such as basic groceries, exports, prescription drugs and medical devices. The latter category includes residential rents, health and dental services, most educational services, financial services and most government services. To the consumer, the outcome for these two categories is identical - no tax is paid. For the producer of the goods and services, there is a difference. The producer of tax free supplies may claim input tax credits; the producer of tax exempt supplies may not (unless they are exported).

The GST is charged on imports of most goods and services to Canada as determined under the Customs Act. Applicable customs duties or additional duties, such as excise taxes are also charged. Once in Canada, imported supplies are treated the same as domestic supplies and are taxed at each stage of production and distribution.

MUNICIPAL TAXATION

All property is subject to assessment and taxation in Alberta. Property includes both land and improvements.

- Non-agricultural land is assessed at 65 per cent of its fair market value. Buildings and structures are currently assessed at 65 per cent of their depreciated replacement cost.

- Machinery and equipment (M&E) used in manufacturing and processing is currently assessed at 50 per cent of its depreciated

replacement cost. The taxable portion of M&E varies considerably among Alberta communities.

As well, some municipalities have a business tax which may be based on the gross rental value or on the floor space of the premises. When M&E is subject to property tax, however, no business tax may be levied against the same premises. The business tax is used mainly by the large urban municipalities namely Edmonton, Calgary, Red Deer, Lethbridge and St. Albert.

RETAIL SALES TAX

All Canadian provinces except Alberta have a retail sales tax which is applied to the purchase of goods in addition to the federal Goods and Services Tax (GST).

| 1991 RETAIL SALES TAXES (per cent) | |
|---------------------------------------|----------|
| British Columbia | 6 |
| Alberta | 0 |
| Saskatchewan | 7 |
| Manitoba | 7 |
| Ontario | 8 |
| Québec | 8 |
| New Brunswick | 11 |
| Nova Scotia | 10 |
| Prince Edward Island | 10 |
| Newfoundland | 12 |

PERSONAL TAXATION

Alberta's personal tax rates are among the lowest in Canada.

| 1991 PERSONAL TAX RATES * (per cent) | | | |
|---|---------------|--------------------------|---------------------|
| | Basic Rate | High Income Surtax | Flat Rate Tax |
| B.C. | 51.5 | 10.0 | - |
| AB. | 46.5 | 8.0 | 2.0 |
| SASK. | 50.0 | 15.0 | 2.0/4.0 |
| MAN. | 52.0 | - | - |
| ONT. | 53.0 | 14.0 | - |
| QUE. | (a) | - | - |
| N.B. | 60.0 | 8.0 | - |
| N.S. | 59.5 | 10.0 | - |
| P.E.I. | 59.0 | 10.0 | - |
| NFLD. | 62.0 | - | - |

* The high income surtax is a percentage of basic provincial tax above a specified level except for Saskatchewan, where it is on total provincial tax. Alberta's flat rate tax is on taxable income. Saskatchewan and Manitoba's flat rate taxes are on net income; in Manitoba, an additional 2 per cent is applied to high income taxpayers. Alberta, Saskatchewan, Manitoba and Ontario provide tax reductions for low income taxpayers.

(a) Québec's personal tax system is not directly comparable to that of other provinces. Québec's average tax rate is the highest in Canada.

9. REAL ESTATE

INDUSTRIAL

Alberta offers a variety of well-served, competitively priced industrial sites that are suitable for a range of activities. Edmonton and Calgary have industrial square footage rates that are among the lowest in Canada for major metropolitan areas. Smaller municipalities, such as Lethbridge and Red Deer also have numerous facilities at rates lower than the larger cities.

OFFICE

Calgary has the highest per capita office space in North America; it is also headquarters for about 600 companies. Edmonton also has an abundance of office space and both cities recorded high vacancy rates of around 15 per cent in late 1990. While this rate is expected to decline in 1991, it is forecast that core class A space will not increase in price in 1991.

As of late 1990, class A space in downtown Calgary leased for \$10 to \$19 a square foot; in downtown Edmonton, prices were \$12 to \$18.

Rental rates in Edmonton for core, non-prime space range from \$7 to \$10 per square foot while prices for prime suburban space are between \$8 and \$10. Prices in Calgary are similar.

INDUSTRIAL MARKET CHARACTERISTICS, 1990

| | Rent (\$/sq. Ft. Net) | Industrial Taxes (\$/sq. Ft.) | Price/Acre (In \$000s) |
|--|--------------------------|----------------------------------|---------------------------|
| CALGARY | 4.00-4.50 | 0.75-1.20 | 75 - 220 |
| EDMONTON | 3.50-4.25 | 1.00-1.50 | 30 - 125 |
| VANCOUVER | 4.00-10.00 | 1.10-2.00 | 135 - 1,200 |
| WINNIPEG | 3.50-5.25 | 0.90-1.10 | 55 - 350 |
| TORONTO | 4.00-5.00 | 0.65-2.05 | 600 - 1,000* |
| OAKVILLE** | 4.00-5.00 | 0.80-0.95 | 350 - 450 |
| OTTAWA | 5.00-6.50 | 1.90-2.50 | 90 - 250 |
| MONTREAL | 4.00-6.25 | 0.70-1.95 | 21 - 654*** |
| * Metropolitan Toronto | | | |
| ** Satellite city of Toronto | | | |
| *** Includes south shore of Montreal | | | |
| SOURCE: ROYAL LEPAGE MARKET SURVEY, 1991 | | | |

10. BUSINESS PROGRAMS & RELATED AGENCIES

GOVERNMENT OF ALBERTA

The Government of Alberta offers a variety of programs and services to Alberta businesses. For example, **Economic Development and Trade** offers the following:

- **Business Site Locations Program** - assists companies looking at the comparative advantages of an Alberta location.
- **Investment Matching Service of Alberta (IMSA)** - matches Alberta-based business opportunities with domestic and international investors.
- **Loan Guarantee Program for Alberta Exporters** - assists Alberta businesses that are exporters or potential exporters of manufactured goods by providing partial loan guarantees.
- **Market Development Assistance Program** - provides financial support to Alberta businesses interested in enhancing their exports.

In addition, **Career Development & Employment (CD&E)** provides assistance to businesses to train and upgrade the skills of their employees. For instance, the Skills Alberta program is designed to assist employers in creating a "Plan for Training" which is tailored for the organization and its specific training needs. Training costs may be supported under this program. As well, the Alberta Tailor-Made Training Program is designed to further economic diversification by providing special training support for companies that are making

capital investments in the province.

Other departments offer assistance to Alberta companies in specific sectors. For example, **Alberta Agriculture** offers various programs designed to further agricultural industries in the province, while the Forest Industry Development Division (FIDD) of **Forestry, Lands and Wildlife** acts as an advocate for the forest industry with other government departments and agencies. **Technology, Research & Telecommunications (TRT)** offers assistance in a variety of ways to the province's high technology businesses.

Information on these and other provincial programs may be obtained through Economic Development and Trade's **Business Line** in Edmonton at (403) 422-9494 (or toll-free from anywhere in Alberta at 1-800-272-9675). The Business Line operates Monday to Friday, from 8:30 a.m. to 4:30 p.m. (Mountain Standard Time zone).

The **Energy Resources Conservation Board (ERCB)** is an Alberta government agency with responsibility for seeing that Alberta's energy resources are developed in a safe, orderly manner. It is charged with certain energy resource and environmental management functions related to oil, natural gas, oil sands, pipelines, electrical energy and coal.

The **Natural Resources Conservation Board (NRCB)** is an Alberta government agency which will be established in late 1991. Its mandate will be to review and approve all non-energy resource projects in Alberta. This new process will apply to all major forestry, large scale water management projects and all other reviewable projects for which an environmental impact assessment has been ordered.

(For more information see the BUSINESS PROGRAM GUIDE: ALBERTA.)

GOVERNMENT OF CANADA

Various departments of the federal government offer programs and services to businesses. For example:

External Affairs and International Trade Canada (EAITC) administers the Technology Inflow Program (TIP). It is designed to facilitate the flow of foreign technology into Canada by financially assisting Canadian projects to obtain technology. More information on TIP or other programs offered by EAITC may be acquired by calling (403) 495-2944 in Edmonton or (403) 292-6660 in Calgary.

Industry, Science and Technology Canada's (ISTC) Strategic Technologies Program is designed to fortify Canadian industries by assisting them in the development and application of technologies that will create new market opportunities and improve competitiveness. ISTC offices may be contacted at (403) 495-4782 in Edmonton or (403) 292-4575 in Calgary.

Revenue Canada administers the Customs and Duty Drawbacks program, which aims to directly financially assist Canadian businesses that import goods and materials to be further manufactured and then exported. Custom duties and taxes are returned on some imported products that have been used or disposed of in a certain manner. Businesses seeking to qualify for a drawback should contact Customs and Excise at (403) 292-4637 in Calgary.

Revenue Canada also administers the Special Investment Tax Credit Program which promotes investment in areas across Canada adversely affected by economic disparities. In Alberta, this program applies to the Peace River region (Census Division 17, 18 and 19), excluding the city of Grande Prairie. All manufacturing and processing activity, as defined under the Regional

Development Incentives Act, are eligible providing that they are located within the designated areas. There is no limit on project size and it may be a new facility, expansion or modernization.

For more information, contact Taxation Information Services in Ottawa, Ontario at (613) 598-2275.

Western Economic Diversification (WD) is responsible for the Western Diversification Program which assists projects of strategic importance to western Canada that could not otherwise proceed. Projects must contribute to the diversification and development of the western Canadian economy. WD participation in eligible projects may take the form of payable or non-repayable contributions. WD has offices across western Canada; the phone number of its head office in Edmonton is (403) 495-4164. The phone number in Calgary is (403) 292-5382.

(For more information see the **BUSINESS PROGRAM GUIDE: ALBERTA.**)

BUSINESS IMMIGRATION PROGRAM

Designed to attract business expertise and investment capital, the Business Immigration Program allows approved applicants and their eligible dependents to obtain permanent resident status in Canada. The federal government grants business immigration status under two categories: entrepreneurial immigration and investor immigration.

Entrepreneurial Immigration - A qualifying immigrant must have a relevant business background and experience in addition to sufficient financial resources for the proposed investment. As well, a qualifying proposal must create or maintain at least one employment opportunity for an Albertan. The immigrant must assume an active management role in the operation of the business in Alberta.

Entrepreneurial immigrants to Alberta are encouraged to establish businesses in these areas: manufacturing, food processing, services, merchandise wholesaling, retailing, or distributing enterprises. Passive investments, such as those designed to collect interest, dividends or rent from existing properties, to lend money or to speculate on real estate, are not eligible under the program.

Investor Immigration - In Alberta, immigrant status may be given to an investor who:

- has a successful business track record;
- has minimum personal net worth of \$700,000; and
- invests a minimum of \$250,000 (irrevocable for five years).

Immigrant status may also be granted to an investor, with a third party guarantee, as long as the immigrant has:

- a successful track record;
- minimum personal net worth of \$700,000; and
- invests a minimum of \$500,000 (irrevocable for five years).

Investors in this category are encouraged to invest in industries such as plastics, tourism facilities, oil and gas ventures, advanced technologies and agri-businesses.

The decision on the issuance of visas for business immigrants rests with the federal government, based on provincial recommendations and the applicant's ability to meet the qualifications. Business immigrants must also pass health and security checks as required under Canadian immigration laws.

II. ALBERTA GOVERNMENT OFFICES

ECONOMIC DEVELOPMENT & TRADE'S PRESENCE IN ALBERTA

CALGARY

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Calgary, AB

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Phone: (403) 297-6284

Fax: (403) 297-6168

CAMROSE

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Camrose, AB

T4V 1N5

Phone: (403) 679-1235

Fax: (403) 679-1250

EDSON

204 Provincial Bldg.

111 - 54 Street

Edson, AB

T7E 1T2

Phone: (403) 723-8229

Fax: (403) 723-8240

EDMONTON

7th Floor, Sterling Place

9940 - 106 Street

Edmonton, AB

T5K 2P6

Phone: (403) 427-3300

Fax: (403) 422-9319

GRANDE PRAIRIE

1401 Provincial Bldg.

10320 - 99 Street

Grande Prairie, AB

T8V 6J4

Phone: (403) 538-5230

Fax: (403) 538-5332

LETHBRIDGE

416 Stafford Drive South

Lethbridge, AB

T1J 4C7

Phone: (403) 381-5414

Fax: (403) 381-5741

MEDICINE HAT

109 Provincial Bldg.

346 - 3 Street S.E.

Medicine Hat, AB

T1A 0G7

Phone: (403) 529-3630

Fax: (403) 529-3140

PEACE RIVER

Bag 9000, Box 3

10122 - 100 Street

Peace River, AB

T8S 1T4

Phone: (403) 624-6113

Fax: (403) 624-6490

RED DEER

3rd Floor Provincial Bldg.

4920 - 51 Street

Red Deer, AB

T4N 6K8

Phone: (403) 340-5300

Fax: (403) 340-5231

ST. PAUL

412 Provincial Bldg.

5025 - 49 Avenue

St. Paul, AB

T0A 3A4

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The Government of Alberta maintains offices throughout the world.

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Seoul 100-070, Korea
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18 Harcourt Road
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GOV DOC CA2 AL ECT A44 1991-OCT-
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